

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

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In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3567-LTS

PUERTO RICO HIGHWAY AND  
TRANSPORTATION AUTHORITY,

(Jointly Administered)

Debtor.<sup>1</sup>

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**SUMMARY SHEET ACCOMPANYING SECOND INTERIM FEE APPLICATION  
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C.  
AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF PUERTO  
RICO HIGHWAY AND TRANSPORTATION AUTHORITY, FOR THE PERIOD FROM  
OCTOBER 1, 2017 THROUGH JANUARY 31, 2018**

Name of Applicant:

McKinsey & Company, Inc. Washington D.C.  
("McKinsey")

Authorized to Provide Services to:

The Financial Oversight and Management Board for  
Puerto Rico, as Representative of Puerto Rico  
Highway and Transportation Authority ("HTA"),  
Debtor Pursuant to PROMESA Section 315(b)

Period for which Compensation  
and Reimbursement is Sought:

October 1, 2017 through January 31, 2018

Monthly Fee Statements Subject  
to Second Interim Fee Request:

Consolidated Third Monthly Fee Statement  
for Compensation for Services Rendered  
From November 1, 2017 Through January 31, 2018,  
dated March 16, 2018

Total Fees Requested for  
Compensation Period:

**\$1,025,000.00**

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<sup>1</sup> The last four (4) digits of HTA's federal tax identification number are 3808.

Total expenses requested:	<b>\$0.00<sup>2</sup></b>
Total fees and expenses:	<b>\$1,025,000.00</b>
Second Interim Holdback:	<b>\$102,500.00 (10%)</b>
Total payment requested for Second Interim Period	<b>\$1,025,000.00 (90% of unpaid fees totaling \$922,500.00 plus 10% holdback of \$102,500.00)</b>
Total fees and expenses paid to date or subject to an Objection:	<b>\$1,944,000.00 paid to date (90% of requested fees of \$2,160,000.00)</b>
Type of Application:	Second Interim Fee Application: <b>Title III Support for HTA</b>
Deadline for parties other than notice parties to file objections:	April 9, 2018

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<sup>2</sup> McKinsey provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

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In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3567-LTS

PUERTO RICO HIGHWAY AND  
TRANSPORTATION AUTHORITY,

(Jointly Administered)

Debtor.<sup>3</sup>

-----X

**SECOND INTERIM FEE APPLICATION  
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C.  
AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF PUERTO  
RICO HIGHWAY AND TRANSPORTATION AUTHORITY, FOR THE PERIOD FROM  
OCTOBER 1, 2017 THROUGH JANUARY 31, 2018**

McKinsey & Company, Inc. Washington D.C. (“McKinsey”), strategic consultants to Debtor  
in the above-captioned case, respectfully represents:

**INTRODUCTION**

1. By this second interim fee application (the “Second Interim Fee Application”), McKinsey seeks the allowance and payment of compensation for professional services related to Title III support for Puerto Rico Highway and Transportation Authority (“HTA” or the “Debtor”) rendered pursuant to the *First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, entered on November 8, 2017 [Docket Number

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<sup>3</sup> The last four (4) digits of HTA’s federal tax identification number are 3808.

1715] (the “Interim Compensation Order”), the applicable provisions of Title 11 of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”) and Appendix B of the *U.S. Trustee’s Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 by Attorneys in Large Chapter 11 Cases Effective as of November 1, 2013* (the “U.S. Trustee Guidelines,” and together with the Interim Compensation Order, the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, the “Code and Rules”). Pursuant to the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, the Certification of Tyler Duvall, a Partner of McKinsey, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit A.

2. By this Second Interim Fee Application, McKinsey seeks allowance of compensation for professional services performed by McKinsey for HTA for the period from October 1, 2017 through January 31, 2018 (the “Compensation Period”) in the aggregate amount of \$1,025,000.00, representing 100% of fees incurred during the Compensation Period. McKinsey submits that allowance and payment of this amount is fully warranted given the actual and necessary services rendered to the Debtor by McKinsey, as described in this Second Interim Fee Application. The Debtor has not previously paid any amounts in respect of the foregoing requested fees and expenses.

### **BACKGROUND AND JURISDICTION**

3. On May 3, 2017 (the “Petition Date”), HTA, by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as HTA’s representative pursuant

to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), filed a petition (the “Petition”) with the United States District Court for the District of Puerto Rico (the “Court”) under Title III of PROMESA.

4. On May 5, 2017, the Puerto Rico Sales Tax Financing Corporation (“COFINA,” and together with the Commonwealth (the “Commonwealth”) of Puerto Rico, the “Debtors”), by and through the Oversight Board, as COFINA’s representative pursuant to PROMESA section 315(b), filed a petition (“COFINA’s Petition,” and together with the Commonwealth’s Petition, the “Petitions”) with the Court under Title III of PROMESA. The filings of the Petitions constitute orders for relief under Title III of PROMESA.
5. On May 9, 2017, the Debtor filed a motion seeking the joint administration of the Title III cases (the “Title III Cases”) for procedural purposes only, pursuant to PROMESA section 304(g) and Bankruptcy Rule 1015, made applicable to these Title III Cases by PROMESA section 310. On June 1, 2017, the Court ordered that the cases be consolidated for procedural purposes and be jointly administered.
6. On June 15, 2017, an Official Committee of Unsecured Creditors and an Official Committee of Retirees was appointed in the Title III case by the United States Trustee for Region 21.
7. On November 8, 2017, the Court entered *the First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* (the “Interim Compensation Order”), which directs that professionals in the Title III Cases be paid interim compensation and outlines the procedures by which professionals are to submit, at four-month intervals, “an application for interim Court approval and allowance of the payment of compensation.”

8. This Court has subject matter jurisdiction over this matter pursuant to PROMESA section 306(a).  
Venue is proper in this district pursuant to PROMESA section 307(a).

**THE RETENTION OF MCKINSEY**

9. On or about July 3, 2017 and as amended effective November 1, 2017, McKinsey & Company, Inc. Washington DC (“McKinsey”), a management consulting firm that serves the federal government, state and local agencies and the private sector, was retained by the Board to provide consulting services in support of the Title III litigation (the “Consulting Agreement”). The scope of this Second Interim Fee Application relates to the Consulting Agreement’s Scope of Work for Title III Support for HTA (“HTA SOW”).
10. At the Board’s request, and consistent with how McKinsey serves its federal, state, local government, and commercial clients, McKinsey’s fee structure under the HTA SOW of the Consulting Agreement was constructed on a deliverable-based monthly firm fixed price basis, as set forth below:

<b>Period of Performance</b>	<b>Fee</b>
October 2017	\$0.00 <sup>4</sup>
November 2017	\$300,000.00 <sup>5</sup>
December 2017	\$300,000.00
January 2018	\$425,000.00
February 2018	\$425,000.00
March 2018	\$425,000.00

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<sup>4</sup> Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October 2017 and agreed to invoice \$0.00 for that month.

<sup>5</sup> For November and December 2017, McKinsey performed two (2) weeks of work per month, and agreed to invoice \$300,000.00 for each month (based on McKinsey’s standard \$150,000.00/week team bundle rate).

11. On December 15, 2017, McKinsey Washington filed its “First Interim Fee Application” for the period from May 3, 2017 through September 30, 2017 [Dkt No. 2073] (the “Application”), requesting \$5.12 million in fixed fee compensation (and no reimbursement of expenses) for services provided during the months of July, August and September 2017. The Fee Examiner reviewed the Application, and, by letter to McKinsey Washington dated February 13, 2018, outlined “Confidential Comments on the First Interim Fee Application”. On February 16, at McKinsey’s invitation, the Fee Examiner met with McKinsey Washington leadership and counsel in Washington DC to discuss the questions raised by the Fee Examiner’s letter.
12. These fixed monthly rates are similar to rates that McKinsey charges for professional services rendered in comparable matters. Such fees are reasonable based on the customary compensation in a competitive market.
13. There is no agreement or understanding between McKinsey and any other nonaffiliated person for the sharing of compensation to be received for services rendered in the Title III Cases.

**SUMMARY DESCRIPTION OF SERVICES PERFORMED –**  
**TITLE III SUPPORT FOR HTA**

14. Set forth below is a brief summary of the principal matters on which McKinsey provided services in connection with the HTA SOW during the Compensation Period. The summary is intended to be just that – a summary – and not a detailed description of all the work performed during the Compensation Period. The complete details setting forth the day-to-day services provided by McKinsey professionals is included in McKinsey’s Consolidated Third Monthly Fee

Statement<sup>6</sup> for Compensation For Services Rendered from November 1, 2017 through January 31, 2018 (the “Third Monthly Fee Statement”), attached hereto as Exhibit B. A list of McKinsey professionals who rendered services during the Compensation Period is attached hereto as Exhibit C.

### **Title III Support for HTA**

#### ***October 2017:***

During the month of October, McKinsey did not render services related to Title III support for HTA.

#### ***November 2017:***

During the month of November, McKinsey’s HTA Title III Team re-started its work on the HTA Transformation Plan, which had been paused since Hurricane Maria. This effort had two key components: 1) Developing an understanding of how Hurricane Maria had affected the original Fiscal Plan baseline (e.g., reduced toll revenues, increased construction spend); and 2) What would the components of a Transformation Plan be for HTA.

McKinsey’s HTA Team began with developing a perspective on how the baseline of the original Fiscal Plan has changed due to the Hurricane. The work in November was critical for the setting the stage in December for completing the perspective of how the baseline was affected by Hurricane Maria.

The core activities related to Title III support for HTA during the period included:

- Analysis regarding impacts to fiscal plan baseline in post-Maria context
  - Developed initial perspective on how revenues, operating expenses, and the effect of the original measures may have changed in the post-Maria environment
  - Developed preliminary outside-in estimates of expected reconstruction spend, included the potential for cost premiums in a scarce labor environment
  - Researched sources of federal reimbursement and estimated potential impact of reconstruction reimbursement
- Working group project management lead

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<sup>6</sup> As noted herein, McKinsey did not render services in connection with Title III support for HTA during the month of October 2017, and thus, did not attach its Second Monthly Fee Statement for Compensation For Services Rendered from October 1, 2017 through October 31, 2017 (the “Second Monthly Fee Statement”) hereto.



- Estimated potential changes to Transformation Plan and impact on key stakeholders
- Organized and developed materials for working group calls
- Participated in working session to discuss go-forward plan with Alvarez and Marsal (Nonmember 28, 2017)
- Participate in working session to discuss go-forward plan with broader working group of stakeholders (November 29, 2017)

***December 2017:***

During the month of December, McKinsey's HTA Title III Team continued its work on the HTA Transformation Plan. This effort focused on furthering the analysis on how Hurricane Maria had affected the original Fiscal Plan baseline (e.g., reduced toll revenues, increased construction spend) and how to integrate it into the effort to develop a new fiscal plan for HTA.

McKinsey's HTA Team completed its re-evaluation of the baseline in the wake of Hurricane Maria, stress-tested estimates received by HTA, and developed different models for what assets could fall under a reformed HTA. The work in December sets up January to be a critical month for the Board to make key structural decisions on the content of the HTA Fiscal and Transformation Plan.

The core activities related to Title III support for HTA during the period included:

- Analyses on updated fiscal plan baseline in post-Maria context
  - Further developed initial perspective on how the baseline has changed in post-Maria environment
  - Stress-tested HTA view of how baseline has changed post-Maria
  - Developed different models for reforming transportation sector in Puerto Rico, indicating which transportation assets would fall under HTA in each model
  - Developed perspective on different models for assessment by the Board
  - Meeting with FOMB Executive Director and staff to give update and get direction on HTA work (December 11, 2017)
  - Working session with CSA to understand their estimate of reconstruction costs (December 12, 2017)
  - Review of different models for HTA with Citi and Proskauer (December 14, 2017)
- Project management lead, including managing overall calendar
  - Periodically checked in and met with Alvarez and Marsal to coordinate next steps

- Developed process for syndicating HTA Fiscal and Transformation Plan with Board
- Working session with Alvarez and Marsal, HTA, and other key stakeholders, to discuss go-forward plans, progress on developing baseline adjustment estimates (December 7, 2017)

***January 2018:***

During the month of January, McKinsey's HTA Title III Team focused its efforts on the HTA Transformation Plan. In addition, McKinsey's HTA Team supported the January HTA mediations, continued to lead the HTA working group to ensure all stakeholders are working toward a common goal, refreshed the McKinsey Team's estimates on the impact of Maria on the fiscal plan baseline based on new data, and developed a perspective on the set of infrastructure assets to include within HTA. Finally, McKinsey's HTA Team developed a comprehensive set of materials for assessing the HTA FP including governance decisions and reform options for FOMB to consider.

The core activities related to Title III support for HTA during the period included:

- Prepared analyses supporting transformation plan for HTA Title III
  - Updated perspective for how baseline has changed in post-Maria environment, given new data passed along from Alvarez and Marsal
    - Stress-tested HTA assumptions of how baseline has changed post-Maria
  - Assessed different ways to organize transportation sector (e.g., which assets should fall under which agency), and developed independent perspective for Board review
  - Revised process for syndicating HTA Fiscal and Transformation Plan with Board
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
  - Led working session with Alvarez and Marsal, HTA, and other key stakeholders, to get update on (and receive) new data, prioritize go-forward analyses, and develop schedule for review of "ghost document" to ensure that HTA is creating a plan that anticipates and addresses Board's viewpoint on how to transform HTA (January 31, 2018)
  - Periodically checked in and met with Alvarez and Marsal to coordinate next steps
- Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Had multiple meetings with Board staff (January 15, 2018, January 16, 2018, January 17, 2018) and other stakeholders to prepare for mediation sessions on

January 23, 2018; helped procure data, and evaluated, and gave feedback, on memos

- Attended and actively participated in HTA mediation sessions (January 23, 2018)
- Conducted follow-up on data requests and next steps coming out of mediations

### **SUMMARY OF PROFESSIONAL COMPENSATION REQUESTED**

15. Pursuant to the Interim Compensation Order, on December 12, 2017, McKinsey served on the Notice Parties (as defined therein) the Consolidated First Monthly Fee Statement for services rendered from July 1, 2017 through and including September 30, 2017 (the “Consolidated First Monthly Fee Period”). On February 2, 2018, McKinsey was paid \$4,608,000.00, representing ninety (90%) of its requested fees of \$5,120,000.00,<sup>7</sup> in connection with McKinsey’s services related to Title III support for HTA during the Consolidated First Monthly Fee Period, leaving an outstanding ten (10%) percent holdback (the “First Interim Holdback”) of \$512,000.00.
16. In accordance with the Interim Compensation Order, on December 15, 2017, McKinsey filed its First Interim Fee Application (the “First Interim Fee Application”) for the period May 3, 2017 through and including September 30, 2017 (the “First Interim Compensation Period”) [Docket No. 2074]. Pursuant to the First Interim Fee Application, McKinsey sought (i) an interim allowance of \$4,608,000.00, representing ninety (90%) percent of its total fees of \$5,120,000.00 incurred during the First Interim Compensation Period and (ii) payment of the outstanding ten (10%) percent holdback (the “First Interim Holdback”) in the amount of \$512,000.00. Pursuant to the Court’s Order dated March 7, 2018, the hearing on the First Interim Fee Application was deferred on consent to April 25, 2018 [Docket No. 2685].

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<sup>7</sup> Of the \$5,120,000.00, \$2,160,000.00 represents requested compensation for professional services related to Title III support for HTA, of which 90%, in the amount of \$1,944,000.00, was paid on February 2, 2018. The balance of \$2,960,000.00 represents requested compensation related to other scopes of work performed during the Consolidated First Monthly Fee Period under the Consulting Agreement.

17. In accordance with the Interim Compensation Order, on March 16, 2018, McKinsey served on the Notice Parties (as defined therein) the Third Monthly Fee Statement for services rendered from November 1, 2017 through January 31, 2018 (the "Third Monthly Fee Period").
18. As reflected in the Third Monthly Fee Statement, during the Third Monthly Fee Period, McKinsey incurred \$1,025,000.00 in fees related to Title III support for HTA and sought payment of ninety (90%) percent of such fees (\$922,500.00) in accordance with the Interim Compensation Order.
19. Pursuant to this Second Interim Fee Application, McKinsey seeks an interim allowance and payment of \$1,025,000.00, representing ninety (90%) percent of its total fees (\$922,500.00) incurred during the Compensation Period along with payment of the outstanding ten (10%) percent holdback (the "Second Interim Holdback") in the amount of \$102,500.00, for a total of \$1,025,000.00.
20. All services performed by McKinsey for which fees are requested herein were performed or incurred for and on behalf of the Debtor and were not for any other person or entity.

**THE REQUESTED COMPENSATION SHOULD BE ALLOWED**

21. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court's award of such compensation. Section 330 of the Bankruptcy Code provides that a court may award a professional "reasonable compensation for actual necessary services rendered ... and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1). Section 330 sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded ..., the court should consider the nature, the extent, and the value of such services, taking into account all relevant factors, including-

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
- (F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title 11 U.S.C. § 330(a)(3).

22. As demonstrated by this Second Interim Fee Application and the exhibits attached hereto, the services that McKinsey rendered during the Compensation Period were reasonable, necessary and appropriate. McKinsey expended its time economically and without unnecessary duplication of effort. In addition, the work conducted was carefully assigned to appropriate professionals, according to the experience and level of knowledge required for each particular task. Accordingly, approval of the compensation sought herein is warranted.

### **CONCLUSION**

WHEREFORE, McKinsey respectfully requests that the Court enter an order (i) awarding McKinsey an interim allowance and payment of compensation for the Compensation Period in the total amount of \$1,025,000.00, (ii) directing payment by the Debtor of any and all outstanding

amounts allowed but not yet paid by the Debtor pursuant to the Interim Compensation Order, including the Second Interim Holdback in the amount of \$102,500.00, (iii) authorizing and directing the Debtor to pay McKinsey the total amount of such interim fees, and (iv) granting such other relief as this Court deems just and proper.

Dated: March 19, 2018  
Washington DC

McKinsey & Company, Inc. Washington DC

s/ Tyler Duvall  
Tyler Duvall, Partner  
McKinsey & Company, Inc. Washington DC  
1200 19<sup>th</sup> Street NW Suite 1100  
Washington DC 20036  
Telephone: (202) 662 0078  
Email: tyler\_duvall@mckinsey.com

*Strategic Consultant to the Debtor*

**Certificate of Service**

1. Notice of this Second Interim Fee Application has been or will be provided by overnight delivery

to:

**FOMB:**

Financial Oversight and Management Board  
40 Washington Square South  
Office 314A  
New York, NY 10012  
Attn: Professor Arthur J. Gonzalez  
FOMB Board Member

**Co-Counsel for FOMB:**

Proskauer Rose LLP,  
Eleven Times Square  
New York, NY 10036  
Attn: Martin J. Bienenstock, Esq. and Ehud Barak, Esq.  
And  
Proskauer Rose LLP  
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Attn: Paul V. Possinger, Esq.

**Co-Counsel for FOMB:**

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Attn: Hermann D. Bauer, Esq.

**Counsel for AAFAF:**

O'Melveny & Myers LLP,  
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Attn: John J. Rapisardi, Esq.  
Suzanne Uhland, Esq.  
Diana M. Perez, Esq.

**Office of United States Trustee:**

Office of the United States Trustee for the District of Puerto Rico  
Edificio Ochoa, 500 Tanca Street  
Suite 301  
San Juan, PR 00901

(In re: Commonwealth of Puerto Rico)

**Co-Counsel for the Official Committee of Unsecured Creditors:**

Paul Hastings LLP

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New York, NY 10166

Attn: Luc. A. Despina, Esq.

Andrew V. Tenzer, Esq.

Michael E. Comerford, Esq.

G. Alexander Bongartz, Esq.

and

Casillas, Santiago & Torres, LLC (Proposed)

El Caribe Office Building

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Attn: Juan J. Casillas Ayala, Esq.

Diana M. Battle-Barasorda, Esq.

Alberto J. E. Añeses Negrón, Esq.

Ericka C. Montull-Novoa, Esq.

**Co-Counsel for the Official Committee of Retired Employees:**

Jenner & Block LLP

919 Third Ave.

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Attn.: Robert Gordon, Esq.

Richard Levin, Esq.

and

Bennazar, Garcia & Millian, C.S.P.

Edificio Union Plaza, PH-A Piso 18

Avenida Ponce de Leon #416

Halto Rey, San Juan

Puerto Rico 00918

Attn.: A.J. Bennazar- Zequeira, Esq.

**Fee Examiner**

Brady Williamson

One East Main Street

Suite 500

Madison, WI 53703-3300



## **EXHIBIT A**

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

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In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3567-LTS

PUERTO RICO HIGHWAY AND  
TRANSPORTATION AUTHORITY,

(Jointly Administered)

Debtor.

-----X

**CERTIFICATION OF TYLER DUVALL IN SUPPORT OF SECOND INTERIM FEE  
APPLICATION OF MCKINSEY & COMPANY, INC. WASHINGTON D.C.  
AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF PUERTO  
RICO HIGHWAY AND TRANSPORTATION AUTHORITY, FOR THE PERIOD FROM  
OCTOBER 1, 2017 THROUGH JANUARY 31, 2018**

I, Tyler Duvall, certify as follows:

1. I am a Partner in the firm of McKinsey & Company, Inc. Washington DC ("McKinsey"). I submit this certification with respect to the second interim fee application of McKinsey as consulting services provider in the above-captioned case (the "Second Interim Fee Application") for the allowance of compensation for professional services rendered during the relevant application period.
2. I make this certification in accordance with the *First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, entered on November 8, 2017 [Docket Number 1715] (the "Interim Compensation Order").
3. In connection therewith, I hereby certify that:
  - (a) I have read the Second Interim Fee Application;
  - (b) To the best of my knowledge, information and belief formed after reasonable inquiry, the fees sought in the Second Interim Fee Application are in substantial compliance with the Interim Compensation Order and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996; and

- (c) The Debtor, the United States Trustee, the official committee of unsecured creditors and the official committee of retirees of the Debtor have been provided with a copy of the Second Interim Fee Application simultaneously with the filing thereof, and will have at least 10 days to review such Second Interim Fee Application prior to any objection deadline with respect thereto.

Dated: March 19, 2018  
Washington DC

/s/ Tyler Duvall

Tyler Duvall, Partner  
McKinsey & Company, Inc. Washington DC  
1200 19<sup>th</sup> Street NW Suite 1100  
Washington DC 20036  
Telephone: (202) 662 0078  
Email: tyler\_duvall@mckinsey.com

## **EXHIBIT B**

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

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In re: PROMESA  
Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17 BK 3567LTS

PUERTO RICO HIGHWAY AND  
TRANSPORTATION AUTHORITY ("HTA"),

Debtor.<sup>1</sup>

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**CONSOLIDATED THIRD MONTHLY FEE STATEMENT OF MCKINSEY &  
COMPANY, INC. WASHINGTON D.C. FOR COMPENSATION FOR  
SERVICES RENDERED TO THE FINANCIAL OVERSIGHT AND MANAGEMENT  
BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF THE DEBTOR, PUERTO  
RICO HIGHWAYS AND TRANSPORTATION AUTHORITY  
FOR THE PERIOD NOVEMBER 1, 2017 THROUGH JANUARY 31, 2018**

Name of Professional: McKinsey & Company, Inc. Washington D.C.  
("McKinsey")

Authorized to Provide Services to: The Financial Oversight and Management Board for  
Puerto Rico, as Representative of Puerto Rico  
Highway and Transportation Authority, Debtor  
Pursuant to PROMESA Section 315(b)

Period for which compensation  
and reimbursement is sought: November 1, 2017 – January 31, 2018

Amount of compensation sought  
as actual, reasonable and necessary: **\$1,025,000.00**

Amount of expense reimbursement sought  
sought as actual, reasonable and necessary<sup>2</sup>: **\$0.00**

Type of Fee Statement: Consolidated Third Monthly Fee Statement:  
Title III Support for HTA<sup>3</sup>

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<sup>1</sup> The last four (4) digits of HTA's federal tax identification number are 3808.

<sup>2</sup> McKinsey provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

<sup>3</sup> Notice of this Consolidated Third Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Order (as defined herein) and objections to payment of the amounts described in this Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Order.

1. Pursuant to the *First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, entered on November 8, 2017 [Docket Number 1715] (the “Interim Compensation Order”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico as representative Of Debtor, Puerto Rico Highways And Transportation Authority (“HTA”, “Debtor” or the “Board”), hereby serves this Consolidated Third Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey provided during the months of November 2017, December 2017 and January 2018 (the “Fee Period”) pursuant to the “Title III Support for HTA” Scope of Work of the consulting agreement entered into between McKinsey and the Board on or about and July 3, 2017 for consulting services in support of the Title III litigation, as amended effective November 1, 2017 (the “Consulting Agreement”) and attached hereto as Exhibit A. Pursuant to the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, a Certification of Tyler Duvall, a Partner of McKinsey, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B.
2. By this Consolidated Third Monthly Fee Statement: Title III Support for HTA, McKinsey seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$922,500.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

**Summary of Services Rendered During the Fee Period**

3. During the Fee Period, McKinsey provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Consolidated Third Monthly Fee Statement: Title III Support for HTA.<sup>4</sup>
4. Included at Exhibit C is a detailed summary of McKinsey's scope of services, deliverables and team member activities performed pursuant to the Title III Support for HTA Scope of Work during the Fee Period.
5. Included at Exhibit D is a copy of McKinsey's monthly invoices<sup>5</sup> for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Title III Support for HTA Scope of Work. McKinsey's fees – as reflected in the invoices – are based on the usual and customary fees McKinsey charges to clients and are commensurate with the services performed. As reflected in Exhibit D, McKinsey incurred \$1,025,000.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$922,500.00).
6. The efforts expended by McKinsey during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey has made every effort to maximize the benefit to the Debtor, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.

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<sup>4</sup> McKinsey is simultaneously serving separate consolidated monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

<sup>5</sup> The invoice included at Exhibit D reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey is consistent with the terms of the Consulting Agreement.

7. McKinsey respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

**Representations**

8. While every effort has been made to include all fees incurred by McKinsey during the Fee Period, some fees may not be included in this Consolidated Third Monthly Fee Statement: Title III Support HTA due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Order.

**Notice**

9. Notice of this Consolidated Third Monthly Fee Statement: Title III Support for HTA has been or will be provided by overnight delivery to:

**FOMB:**

Financial Oversight and Management Board  
40 Washington Square South  
Office 314A  
New York, NY 10012  
Attn: Professor Arthur J. Gonzalez  
FOMB Board Member

**Co-Counsel for FOMB:**

Proskauer Rose LLP  
Eleven Times Square  
New York, NY 10036



Attn: Martin J. Bienenstock, Esq.  
Ehud Barak, Esq.  
and  
Proskauer Rose LLP  
70 West Madison Street, Chicago, IL 60602  
Attn: Paul V. Possinger, Esq.

**Co-Counsel for FOMB:**

O'Neill & Borges LLC  
250 Muñoz Rivera Ave.  
Suite 800  
San Juan, PR 00918  
Attn: Hermann D. Bauer, Esq.

**Counsel for AAFAF:**

O'Melveny & Myers LLP  
Times Square Tower, 7 Times Square  
New York, NY 10036  
Attn: John J. Rapisardi, Esq.  
Suzanne Uhland, Esq.  
Diana M. Perez, Esq.

**Office of United States Trustee:**

Office of the United States Trustee for the District of Puerto Rico  
Edificio Ochoa, 500 Tanca Street, Suite 301  
San Juan, PR 00901  
(In re: Commonwealth of Puerto Rico)

**Co-Counsel for the Official Committee of Unsecured Creditors:**

Paul Hastings LLP  
200 Park Avenue  
New York, NY 10166  
Attn: Luc. A. Despins, Esq.  
Andrew V. Tenzer, Esq.  
Michael E. Comerford, Esq.  
G. Alexander Bongartz, Esq.  
and  
Casillas, Santiago & Torres, LLC (Proposed)  
El Caribe Office Building  
53 Palmeras Street, Ste. 1601  
San Juan, Puerto Rico 00901-2419  
Attn: Juan J. Casillas Ayala, Esq.  
Diana M. Batlle-Barasorda, Esq.  
Alberto J. E. Añeses Negrón, Esq.  
Ericka C. Montull-Novoa, Esq.

**Co-Counsel for the Official Committee of Retired Employees:**

Jenner & Block LLP  
919 Third Ave.  
New York, NY 1022-3908  
Attn.: Robert Gordon, Esq.  
Richard Levin, Esq.  
and  
Bennazar, Garcia & Millian, C.S.P.  
Edificio Union Plaza, PH-A Piso 18  
Avenida Ponce de Leon #416  
Hato Rey, San Juan  
Puerto Rico 00918  
Attn.: A.J. Bennazar- Zequeira, Esq.

**Fee Examiner:**

Brady Williamson  
One East Main Street, Suite 500  
Madison, WI 53703-3300

WHEREFORE, McKinsey respectfully requests payment by the Debtor of \$922,500.00,  
representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: March 16, 2018  
Washington DC

McKinsey & Company, Inc. Washington DC

s/Tyler Duvall  
Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC  
1200 19th St NW #1000  
Washington, DC 20036  
Telephone: (202) 662-3100  
Email: Tyler\_Duvall@Mckinsey.com

*Strategic Consultant to the Debtor*

**EXHIBIT A**

***Consulting Agreement, as Amended Effective November 1, 2017***  
***Title III Support for HTA Scope of Work***

**FIRST AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS FIRST AMENDMENT** to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

**WHEREAS**, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

**1. SERVICES.**

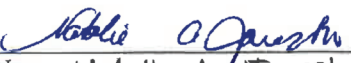
"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

**11. MISCELLANEOUS.**

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

**IN WITNESS WHEREOF**, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board  
For Puerto Rico**

  
Name: Natalie A. Jaresko

Title: Executive Director

Date:

**McKinsey & Company, Inc., Washington D.C.**

  
Name: Tyler Duval

Title: Principal

Date: March 8, 2018

**AMENDED ATTACHMENT 1**  
**Scope of Work For Commonwealth Title III Support**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

Support for the Commonwealth Title III proceedings to the Board to include the following:

***I. Measure:***

- Revising fiscal measures contained in the March 13<sup>th</sup> Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

***II. Baseline and Macro:***

- Reviewing full certified March 13<sup>th</sup> Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

***III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

**FEEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

\* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**AMENDED ATTACHMENT 3**  
**Scope of Work For Title III Support for HTA**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**



December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

\*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

\*\* For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**EXHIBIT B**

*Certification of McKinsey Partner Tyler Duvall*

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17 BK 3567-LTS

PUERTO RICO HIGHWAY AND  
TRANSPORTATION AUTHORITY ("HTA"), .

Debtor.

-----X

**CERTIFICATION OF TYLER DUVALL**

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Partners providing consulting services related to the above-captioned Title III case.
2. I have personally performed many of the professional services rendered by McKinsey as strategic consultant to the Debtor and am familiar with all other work performed on behalf of the Debtor by the Partners, Associates, and other persons in the Firm.
3. The facts set forth in the foregoing Consolidated Third Monthly Fee Statement: Title III Support for HTA are true and correct to the best of my knowledge, information, and belief.
4. I have reviewed the Interim Compensation Order and believe that McKinsey's Consolidated Third Monthly Fee Statement: Title III Support for HTA complies therewith.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 16, 2018  
Washington, DC

s/Tyler Duvall

Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC

## **EXHIBIT C**

### **Title III Support for HTA**

#### **November 2017**

##### **Summary of Work**

During the month of November 2017, McKinsey's HTA Title III Team re-started its work on the HTA Transformation Plan, which had been paused since Hurricane Maria. This effort had two key components: 1) Developing an understanding of how Hurricane Maria had affected the original Fiscal Plan baseline (e.g., reduced toll revenues, increased construction spend); and 2) What would the components of a Transformation Plan be for HTA.

McKinsey's HTA Title III Team began by developing a perspective on how the baseline of the original Fiscal Plan has changed due to the Hurricane. The work in November was critical for the setting the stage in December for completing the perspective of how the baseline was affected by Hurricane Maria.

##### **McKinsey's HTA Title III Team Detailed Activities by Deliverable**

- Analysis regarding impacts to fiscal plan baseline in post-Maria context
  - Developed initial perspective on how revenues, operating expenses, and the effect of the original measures may have changed in the post-Maria environment
  - Developed preliminary outside-in estimates of expected reconstruction spend, included the potential for cost premiums in a scarce labor environment
  - Researched sources of federal reimbursement and estimated potential impact of reconstruction reimbursement
- Working group project management lead
  - Estimated potential changes to Transformation Plan and impact on key stakeholders
  - Organized and developed materials for working group calls
  - Participated in working session to discuss go-forward plan with Alvarez and Marsal (Nonmember 28<sup>th</sup>)
  - Participate in working session to discuss go-forward plan with broader working group of stakeholders (November 29<sup>th</sup>)

##### **McKinsey's HTA Title III Team Detail and Contributions**

The McKinsey team was led by Tyler Duvall and Aaron Bielenberg, who provided overall quality

control and stakeholder management, as well as an Associate Partner (Garo Hovnanian), who provided additional direction to the working team. The working team consisted of a full-time Engagement Manager (Jared Katseff) and Associate (Needham Hurst).

■ Tyler Duvall (Partner):

- Led overall work, including problem solving and client briefings
- Leveraged deep relationship with the Board, and sector specific knowledge, to help define the parameters of the Transformation Plan, and inform the shape of November deliverables
- Work with team to evaluate impact of potential Federal response

■ Aaron Bielenberg (Associate Partner):

- Led discussions with Alvarez and Marsal on go-forward methodology for Transformation Plan
- Provided key stakeholder context to inform discussions, and aid in preparation of materials

■ Garo Hovnanian (Associate Partner):

- Directed in-person problem solving sessions with McKinsey working team, on both re-engaging with advisors, and for re-starting the Fiscal Plan process
- Reviewed and provided input for materials (e.g., Week 1 answer), pressure testing key assumptions, and helping build out the storyline

■ Jared Katseff (Engagement Manager):

- Managed working team across all topic areas, set and ensured deadlines were met, scheduled key meetings (e.g., Alvarez and Marsal working sessions), and assisted in the development of content by Associates
- Coordinated materials to be used for internal (e.g., McKinsey working team) and external audiences (e.g., Alvarez and Marsal working sessions)
- Outlined key data and processes necessary to pressure-test and validate eventual HTA Fiscal Plan

■ Needham Hurst (Associate):

- Analyzed impact of Maria on the Fiscal Plan baseline, including new estimates for revenues, operating expenses, construction costs, and federal funds
- Developed general methodology for change in Fiscal Plan baseline and developed estimates for cost premiums in similar post-disaster labor markets
- Outlined potential emergency response options and their potential effects on ability to capture Federal funds in contributing to HTA Fiscal Plan

## **December 2017**

### **Summary of Work**

During the month of December 2017, McKinsey's HTA Title III Team continued its work on the HTA Transformation Plan. This effort focused on furthering the analysis on how Hurricane Maria had affected the original Fiscal Plan baseline (e.g., reduced toll revenues, increased construction spend) and how to integrate it into the effort to develop a new fiscal plan for HTA.

McKinsey's HTA Title III Team completed its re-evaluation of the baseline in the wake of Hurricane Maria, stress-tested estimates received by HTA, and developed different models for what assets could fall under a reformed HTA. The work in December set up January to be a critical month for the Board to make key structural decisions on the content of the HTA Fiscal and Transformation Plan.

### **McKinsey's HTA Title III Team Detailed Activities by Deliverable**

- Analyses on updated fiscal plan baseline in post-Maria context
  - Further developed initial perspective on how the baseline has changed in post-Maria environment
  - Stress-tested HTA view of how baseline has changed post-Maria
  - Developed different models for reforming transportation sector in Puerto Rico, indicating which transportation assets would fall under HTA in each model
  - Developed perspective on different models for assessment by the Board
  - Meeting with FOMB Executive Director and staff to give update and get direction on HTA work (December 11<sup>th</sup>)
  - Working session with CSA to understand their estimate of reconstruction costs (December 12<sup>th</sup>)
  - Review of different models for HTA with Citi and Proskauer (December 14<sup>th</sup>)
- Project management lead, including managing overall calendar
  - Periodically checked in and met with Alvarez and Marsal to coordinate next steps
  - Developed process for syndicating HTA Fiscal and Transformation Plan with Board
  - Working session with Alvarez and Marsal, HTA, and other key stakeholders, to discuss go-forward plans, progress on developing baseline adjustment estimates (December 7<sup>th</sup>)

### **McKinsey's HTA Title III Team Detail and Contributions**

The McKinsey team continued to be led by Tyler Duvall, and Aaron Bielenberg, who provided

overall quality control and stakeholder management, as well as an Associate Partner (Garo Hovnanian), who provided additional direction to the working team. The working team consisted of a full-time Engagement Manager (Jared Katseff) and Associate (Needham Hurst).

■ Tyler Duvall (Partner):

- Provided key insights in internal problem-solving meetings on different covered asset and organizational model options for HTA
- Presented go-forward strategy to Executive Director at December 12<sup>th</sup> meeting

■ Aaron Bielenberg (Associate Partner):

- Led preparation of meetings with key stakeholders (e.g., Alvarez and Marsal)
- Provided key insights in internal problem-solving meetings on stakeholder engagement, to help develop stakeholder engagement model
- Reviewed materials for meeting with Executive Director

■ Garo Hovnanian (Associate Partner):

- Led meetings with Alvarez and Marsal, steering content, and ensuring proper data sharing and coordination
- Reviewed materials for meeting with Executive Director, checking for data consistency, and reasonableness of approach

■ Jared Katseff (Engagement Manager):

- Managed working team across all topic areas, set and ensured deadlines were met, scheduled key meetings, and assisted in the development of content by Associates
- Set up and led calls with advisors (e.g., CSA) to determine data availability
- Set up and led internal problem-solving meetings to push forward materials (e.g., covered asset model option deck)

■ Needham Hurst (Associate):

- Analyzed impact of Maria on the Fiscal Plan baseline, stress-tested HTA estimates, and developed new covered asset model options
- Prepared materials for meeting with the Executive Director on December 12<sup>th</sup>, as well as follow-up materials that responded to her edits
- Developed key assumptions, for developing estimate of how Maria would impact the original CIP

## **January 2018**

### **Summary of Work**

During the month of January 2018, McKinsey's HTA Title III Team focused its efforts on the HTA Transformation Plan. In addition, the HTA Team supported the January HTA mediations, continued to lead the HTA working group to ensure all stakeholders are working towards a common goal, refreshed our estimates on the impact of Maria on the fiscal plan baseline based on new data, and developed a perspective on the set of infrastructure assets to include within HTA. Finally, the HTA Team developed a comprehensive set of materials for assessing the HTA FP including governance decisions and reform options for FOMB to consider.

### **McKinsey's HTA Title III Team Detailed Activities by Deliverable**

- Prepared analyses supporting transformation plan for HTA Title III
  - Updated perspective for how baseline has changed in post-Maria environment, given new data passed along from Alvarez and Marsal
  - Stress-tested HTA assumptions of how baseline has changed post-Maria
  - Assessed different ways to organize transportation sector (e.g., which assets should fall under which agency), and developed independent perspective for Board review
  - Revised process for syndicating HTA Fiscal and Transformation Plan with Board
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
  - Led working session with Alvarez and Marsal, HTA, and other key stakeholders, to get update on (and receive) new data, prioritize go-forward analyses, and develop schedule for review of “ghost document” to ensure that HTA is creating a plan that anticipates and addresses Board's viewpoint on how to transform HTA (January 31<sup>st</sup>)
  - Periodically checked in and met with Alvarez and Marsal to coordinate next steps
- Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Had multiple meetings with Board staff (January 15<sup>th</sup>, January 16<sup>th</sup>, January 17<sup>th</sup>) and other stakeholders to prepare for mediation sessions on the 23<sup>rd</sup>; helped procure data, and evaluated, and gave feedback, on memos
  - Attended and actively participated in HTA mediation sessions (January 23<sup>rd</sup>)
  - Conducted follow-up on data requests and next steps coming out of mediations

### **McKinsey's HTA Title III Team Detail and Contributions**

The McKinsey team continued to be led by Tyler Duvall, and Aaron Bielenberg, who provided overall quality control and stakeholder management, as well as an Associate Partner (Garo Hovnanian), who provided additional direction to the working team. The working team consisted of a full-time Engagement Manager (Jared Katseff) and Senior Business Analyst (Disha Verma).

- Tyler Duvall (Partner):
  - Attended and actively participated in January 23<sup>rd</sup> HTA mediations, providing key insights and ensuring Fiscal Plan strategy represented in discussions
  - Provided key insights for stress testing assumptions behind HTA estimates
- Aaron Bielenberg (Associate Partner):
  - Led preparation of meetings with key stakeholders (e.g., Alvarez and Marsal)
  - Provided key insights in internal problem-solving meetings on stakeholder engagement, to help develop stakeholder engagement model
- Garo Hovnanian (Associate Partner):
  - Reviewed materials for upcoming meetings with Board Subcommittee, checking for data consistency, and reasonableness of approach
  - Pushed problem solving and stress testing of HTA assumptions, and provided methodology for recommending covered asset options
- Jared Katseff (Engagement Manager):
  - Managed working team across all topic areas, set and ensured deadlines were met, scheduled key meetings, and assisted in the development of content by Senior Business Analyst
  - Set up and led calls with advisors (e.g., Alvarez and Marsal) to determine data availability
  - Provided ad hoc support reviewing mediations (e.g., memo review)
- Disha Verma (Associate):
  - Analyzed impact of Maria on the Fiscal Plan baseline, given new data from HTA, stress-tested HTA estimates
  - Updated materials for first Board subcommittee, performing calculations of impacts for different covered asset model to develop internal perspective
  - Developed detail for potential governance alternatives for HTA including structural reform alternatives



**EXHIBIT D**

***November - December 2017 and January 2018 Invoices***

## McKinsey&Company

The Financial Oversight and  
Management Board for Puerto Rico  
PO Box 195556  
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant  
[accountspayable@promesa.gov](mailto:accountspayable@promesa.gov)

**Invoice No: DCG-GPC014 -4850R**

Consulting Agreement  
Client for Strategic Consulting support related to  
the Title III Cases  
Effective Agreement Date: November 1, 2017

Invoice Date: 1/31/2018

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Net 30

### FFP Payment Schedule for HTA Services

**Invoice PoP:** November 1, 2017 – November 30, 2017

Gross invoice amount for services performed outside Puerto Rico:	\$	300,000.00
Gross invoice amount for services performed in Puerto Rico:	\$	-
<b>Subtotal</b>	<b>\$</b>	<b>300,000.00</b>
Less withholding tax deducted at source	\$	-
<b>Net Invoice Payable:</b>	<b>\$</b>	<b>300,000.00</b>

**Invoice PoP:** December 1, 2017 – December 31, 2017

Gross invoice amount for services performed outside Puerto Rico:	\$	165,000.00
Gross invoice amount for services performed in Puerto Rico:	\$	190,140.85
<b>Subtotal</b>	<b>\$</b>	<b>355,140.85</b>
Less withholding tax deducted at source	\$	(55,140.85)
<b>Net Invoice Payable:</b>	<b>\$</b>	<b>300,000.00</b>

**Total Invoice: \$600,000.00**

Please wire transfer payment to:  
McKinsey & Company, Inc.  
Citibank N.A.  
Bank Account Number: 30420698  
Bank ABA Routing Number: 021000089

If remitting by check please send check to:  
McKinsey & Company, Inc.  
P.O. Box 7247-7255  
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

**Please reference the invoice number and invoice date on your remittance advice.**

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

## McKinsey&Company

The Financial Oversight and  
Management Board for Puerto Rico  
PO Box 195556  
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant  
[accountspayable@promesa.gov](mailto:accountspayable@promesa.gov)

**Invoice No: DCG-GPC014 -4908**

Consulting Agreement  
Client for Strategic Consulting support related to  
the Title III Cases  
Effective Agreement Date: November 1, 2017

Invoice Date: 2/28/2018

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Net 30

### FFP Payment Schedule for HTA Services

**Invoice PoP:** January 1, 2018 – January 31, 2018

	Gross invoice amount for services performed outside Puerto Rico:	\$	299,458.80
	Gross invoice amount for services performed in Puerto Rico:	\$	176,818.59
	<b>Subtotal</b>	<b>\$</b>	<b>476,277.39</b>
	Less withholding tax deducted at source	\$	(51,277.39)
	<b>Net Invoice Payable:</b>	<b>\$</b>	<b>425,000.00</b>

**Total Invoice: \$ 425,000.00**

Please wire transfer payment to:  
McKinsey & Company, Inc.  
Citibank N.A.  
Bank Account Number: 30420698  
Bank ABA Routing Number: 021000089

If remitting by check please send check to:  
McKinsey & Company, Inc.  
P.O. Box 7247-7255  
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

**Please reference the invoice number and invoice date on your remittance advice.**

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

## **EXHIBIT C**

## EXHIBIT C

### LIST OF MCKINSEY PROFESSIONALS

NAME OF PROFESSIONAL	TITLE
Tyler Duvall	Partner
Aaron Bielenberg	Associate Partner
Garo Hovnanian	Associate Partner
Needham Hurst	Associate
Jared Katseff	Engagement Manager
Disha Verma	Associate